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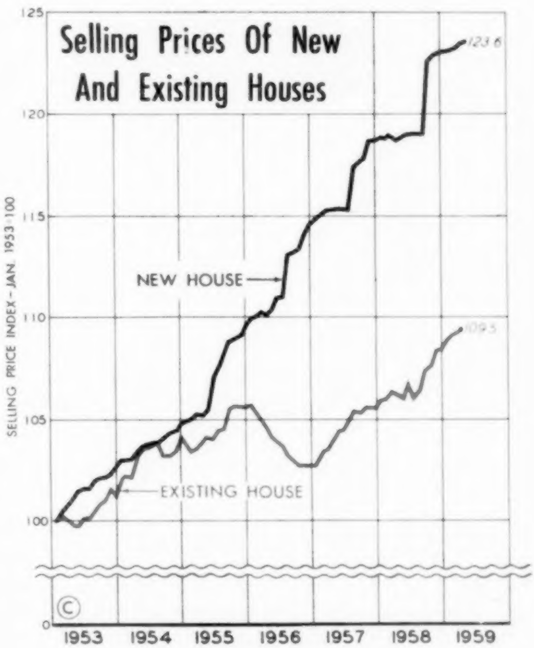
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

REPLACEMENT cost of a typical single-family residence has increased rather consistently year by year since 1939, and in the latter part of 1958 the increase was fairly sizable. The chart in the lower right-hand corner of this page shows the relative increases in replacement cost new including a suitable lot, and in the selling price of existing housing.

Over a long period of years we have consistently found that replacement cost new is the strongest factor influencing the selling price of existing housing. The widening gap during the last few years, as shown by this chart, would indicate considerable strength in the price outlook for existing housing. In fact, during the last 6 months the average selling price on used homes has resumed its upward movement.

The chart and table on the following page show a sizable increase in the past month in selling price, some of which is seasonal, but also show an increase in comparison with the same month of a year ago. This is true, in spite of a number of spots in which unemployment is still a problem.

In most communities, residential vacancy is still at relatively low levels, with a fairly brisk demand for housing accommodations both for sale and for rent. We have just completed a survey in 171 cities and we find that in 62 of the 171 cities, sales were lagging new construction slightly, but that in 109 cities, residential sales were keeping pace with the amount of construction being done.

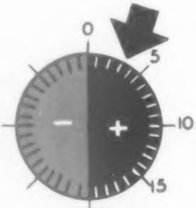


NUMBER OF NONFARM REAL ESTATE TRANSFERS

	1955	1956	1957	1958	1959
January	361,500	357,100	354,300	319,100	349,500*
February	340,200	351,750	318,000	290,300	352,400*
March	423,800	392,100	346,600	312,500	388,000*
April	408,500	395,600	380,900	334,800	432,100*
May	435,500	437,700	401,200	358,500	
June	472,400	432,100	370,200	365,900	
July	438,900	432,700	414,600	416,100	
August	486,500	460,700	412,600	399,000	
September	457,200	384,800	370,000	406,100	
October	428,600	435,600	403,600	460,300*	
November	407,500	380,800	328,800	360,700*	
December	386,500	329,800	318,600	393,000*	
Total	5,047,100	4,790,750	4,419,400	4,416,300*	
First 4-month comparison	1,534,000	1,496,550	1,399,800	1,256,700	1,522,000*

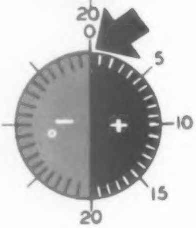
*Preliminary.

Real Estate Selling Price Comparisons



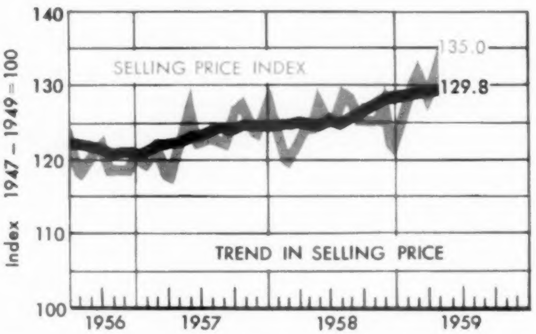
With preceding month

+ 3.1%



With same month preceding year

+0.2%



DATE	TREND IN SELLING PRICE	PROBABLE SELLING PRICE OF A HOUSE THAT SOLD FOR $12,000 IN 1947-49 PERIOD
1947-49	100.0	$12,000
1913	40.1	4,812
1918	34.1	4,092
Mar. '29	73.9	8,868
May '32	34.8	4,176
Apr. '34	44.8	5,376
July '37	40.1	4,812
Apr. '38	42.8	5,136
Mar. '41	40.1	4,812
Oct. '48	104.5	12,540
Oct. '53	119.7	14,360
Oct. '54	122.3	14,680
Oct. '55	125.1	15,010
Oct. '56	121.9	14,630
Oct. '57	125.3	15,040

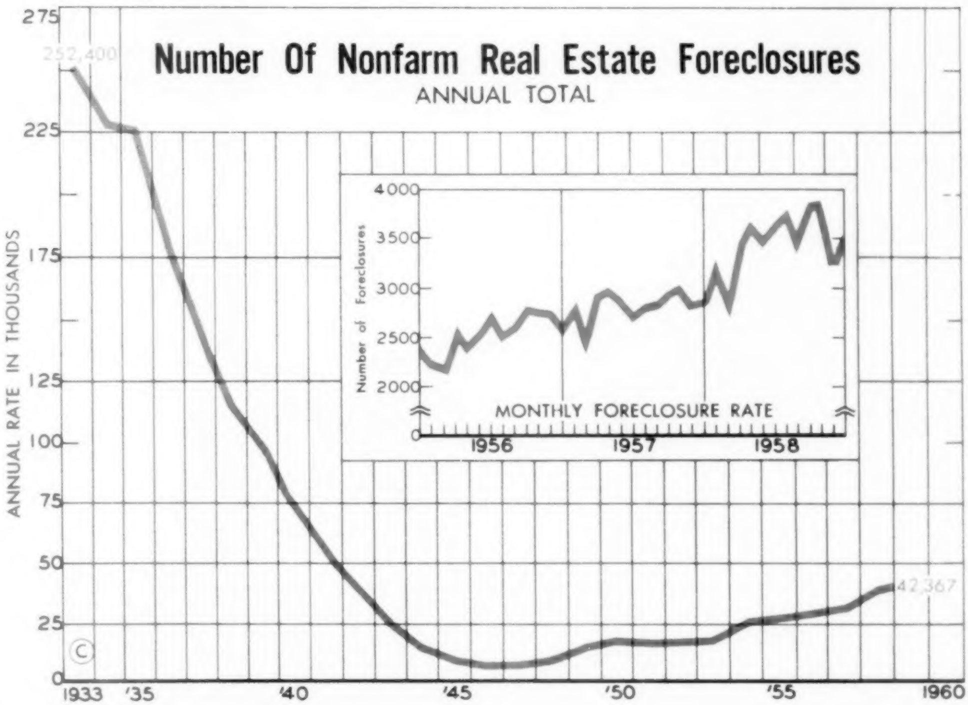
DATE	TREND IN SELLING PRICE	PROBABLE SELLING PRICE OF A HOUSE THAT SOLD FOR $12,000 IN 1947-49 PERIOD
Jan. '58	125.5	$15,060
Mar. '58	126.1	15,130
June '58	126.6	15,190
Sept. '58	127.3	15,275
Oct. '58	127.7	15,325
Nov. '58	128.6	15,430
Dec. '58	128.7	15,445
Jan. '59	129.1	15,490
Feb. '59	129.3	15,515
Mar. '59	129.5	15,540
Apr. '59	129.8*	15,575*

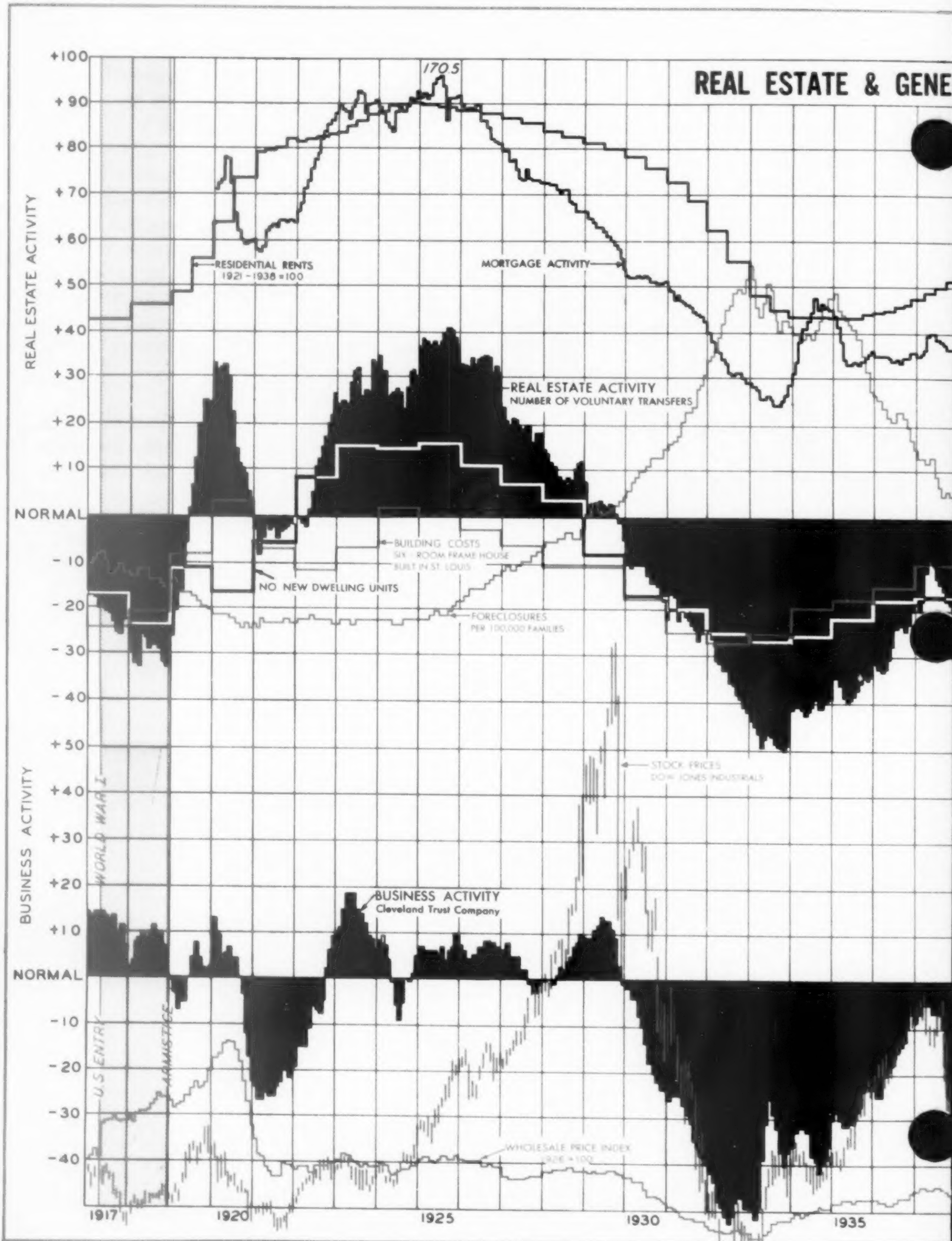
*Preliminary.

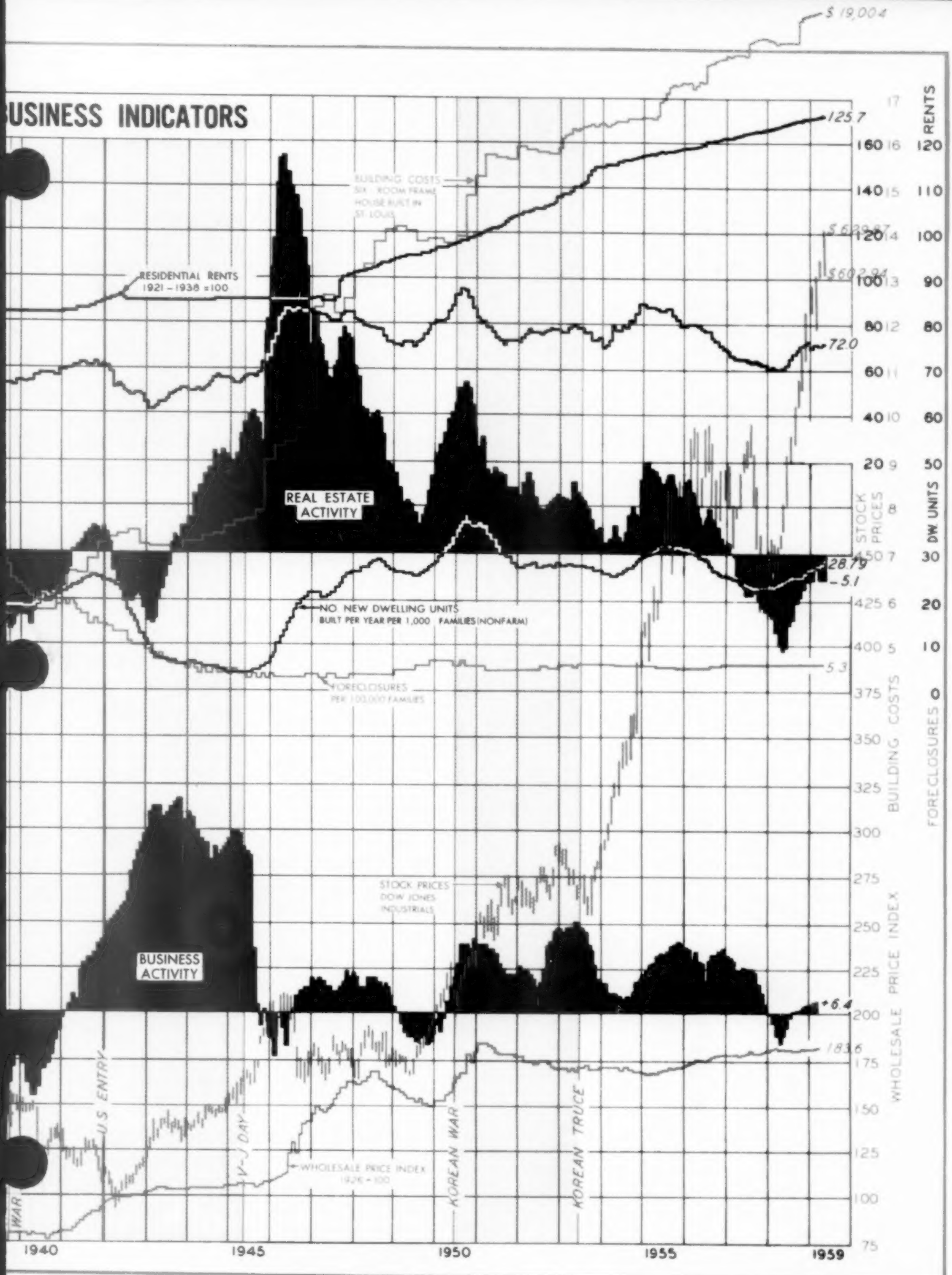
The preliminary figure for voluntary real estate transfers in April exceeded April of a year ago by approximately 29%. This is the largest number of transfers we have ever shown for the month of April, although there have been other months of the year which in the past have exceeded this figure. There is quite a seasonal movement, however, in the transfer figures, with some months ordinarily being much better than others. The transfer figures since 1955 are shown on the opposite page. These figures are not corrected for the increase in either population or families. Naturally, as the United States grows, all other things being equal, the number of transfers will increase. Our activity chart expresses these transfers as a percentage above or below normal after being adjusted for the change in the number of families. On that basis, according to our chart, real estate activity last month was approximately 5% below our long-term computed normal. The movement during the past year, however, has been consistently upward.

Our index of residential rents is still advancing. For more than 11 years this index has shown a rather regular and steady gain. It is still relatively low, however, when measured against past relationships of rents to other elements in the cost of living or of rents to replacement cost new. It seems to us that this index will continue to creep upward.

(cont. on page 250)




REAL ESTATE & GENE
REAL ESTATE ACTIVITY
BUSINESS ACTIVITY
+100
+90
+80
+70
+60
+50
+40
+30
+20
+10
NORMAL
-10
-20
-30
-40
170.5
RESIDENTIAL RENTS
1921-1938=100
MORTGAGE ACTIVITY
REAL ESTATE ACTIVITY
NUMBER OF VOLUNTARY TRANSFERS
BUILDING COSTS
SIX-ROOM FRAME HOUSE
BUILT IN ST. LOUIS
NO NEW DWELLING UNITS
FORECLOSURES
PER 100,000 FAMILIES
STOCK PRICES
DOW JONES INDUSTRIALS
BUSINESS ACTIVITY
Cleveland Trust Company
WHOLESALE PRICE INDEX
1926=100
WORLD WAR I
U.S. ENTRY
ARMISTICE
1917
1920
1925
1930
1935



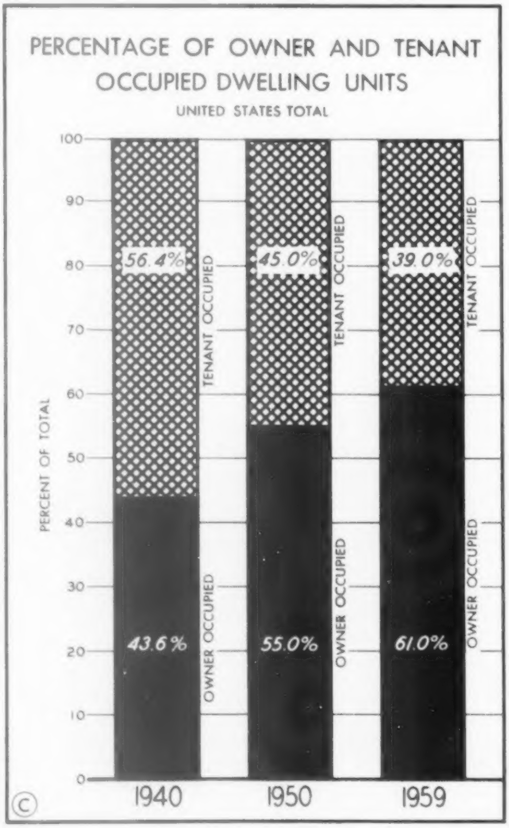
BUSINESS INDICATORS
RESIDENTIAL RENTS 1921 – 1938 = 100
BUILDING COSTS SIX - ROOM FRAME HOUSE BUILT IN ST. LOUIS
REAL ESTATE ACTIVITY
NO. NEW DWELLING UNITS BUILT PER YEAR PER 1,000 FAMILIES (NONFARM)
FORECLOSURES PER 100,000 FAMILIES
STOCK PRICES DOW JONES INDUSTRIALS
BUSINESS ACTIVITY
WHOLESALE PRICE INDEX 1926 = 100
WAR
U.S. ENTRY
V-J DAY
KOREAN WAR
KOREAN TRUCE
$ 19,004
125.7
72.0
28.79
-5.1
5.3
+6.4
183.6
1940
1945
1950
1955
1959
RENTS
DW. UNITS
STOCK PRICES
BUILDING COSTS
FORECLOSURES
WHOLESALE PRICE INDEX

(cont. from page 247)

Mortgage activity since the first of the year has proceeded without any great changes in direction, and it seems that the remainder of 1959 should show a continuation of this rather steady, level trend.

Foreclosures per 100,000 families are still negligible, although a microscopic study of these figures will show that on a percentage basis they have increased during the past few years. A more detailed study of the number of foreclosures is shown on the chart at the bottom of page 247. Certainly foreclosures have not reached any alarming proportions.

The number of new dwelling units built per year per 1,000 families has been advancing since the latter part of 1957. If the increase in population in the United States is not taken into consideration, we are setting new peaks in private residential construction, but in relationship to the number of families we are still below the years 1950, 1951, and 1955. We are much below the levels of the building boom of the 1920's.



The chart opposite shows the change which has come about in the last 19 years in the percentage of owner-occupied and tenant-occupied units. The census of 1940 showed that only 43.6% of homes were owner-occupied. By 1950, this percentage had increased to 55%. The sample surveys made by the Bureau of the Census in 1959 would indicate that 61% of homes today are owner-occupied, and 39% tenant-occupied. This represents a 40% increase in the last 19 years in owner-occupied homes.

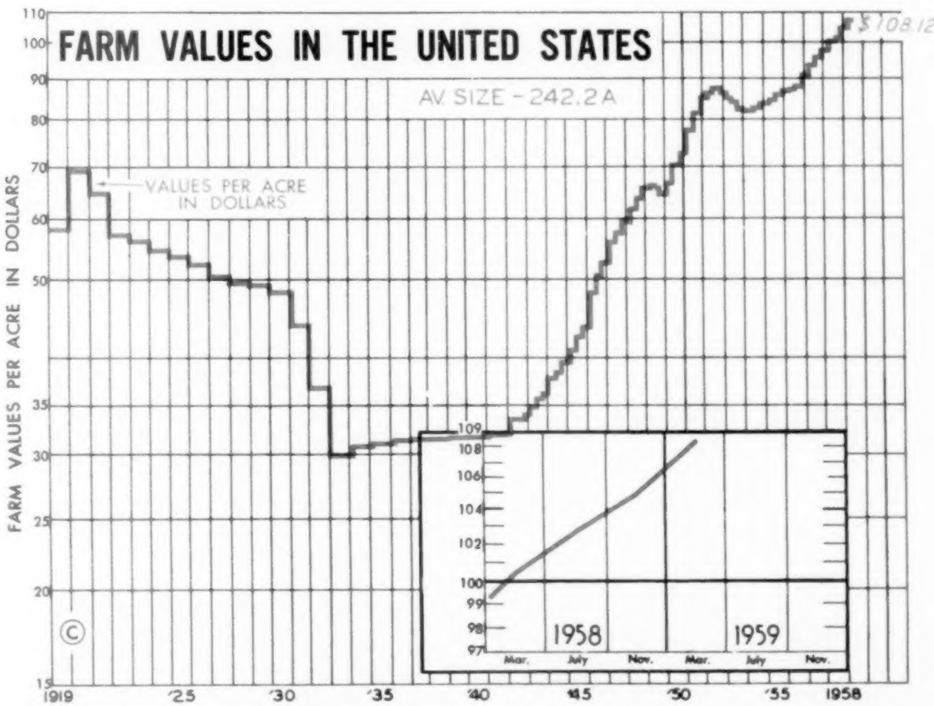
Undoubtedly, the two reasons which are primarily responsible for this increase in home ownership are: 1. The 11-year period of Federal rent control discouraged the building or holding of dwelling units for rent. At the peak of the building boom of the 1920's, without Government subsidies or guarantees of any sort, more than 40% of the dwelling units built were built for rent.

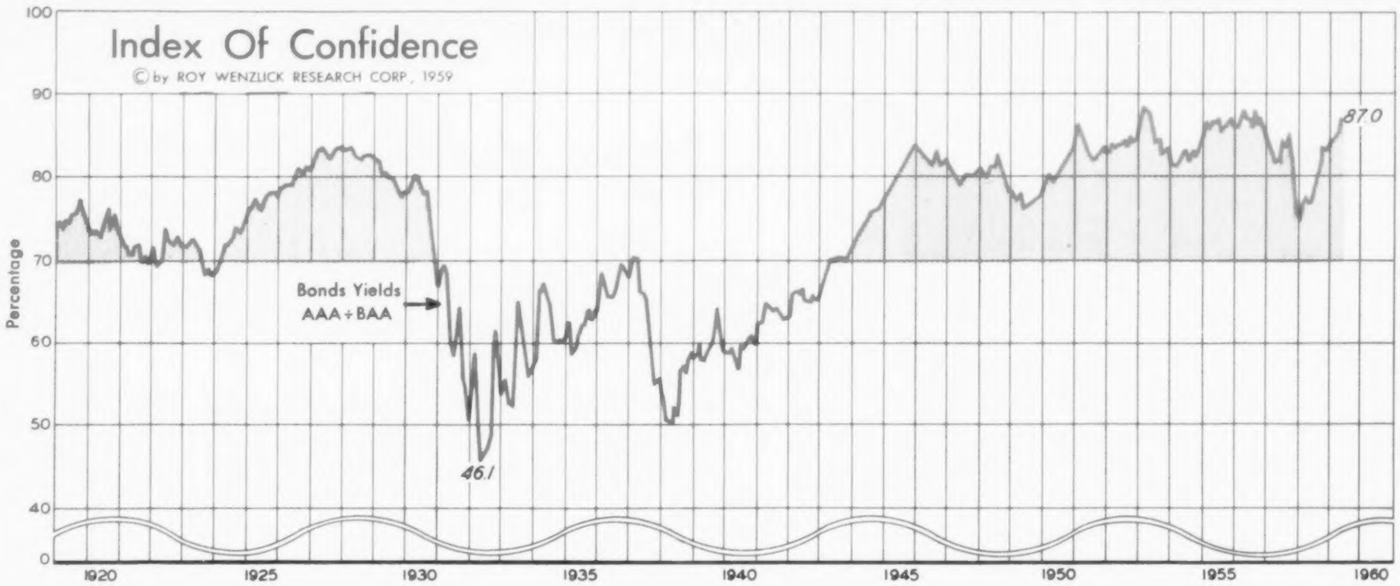
Now this percentage would be closer to one-half of its 1925 level. During rent control many disgruntled owners of rented single-family residences and duplexes sold them to tenants forced to buy because of the space shortage.

2. The popularization of the monthly-payment loan through savings and loans, life insurance companies, the FHA, and VA, has encouraged many persons to buy with small downpayments. This has enlarged the market considerably and has brought about a revolution in housing. It has contributed to the shortage of close-in land, as we are now housing fewer persons per acre in the new housing being built than we formerly housed on the average throughout the United States in the many multifamily units which were built for rent.

The chart below shows the value of farm real estate per acre from 1919 through March 1, 1959. These values increased by 3% in the last 4 months on the chart, and on March 1, 1959, were 8% higher than on March 1, 1958. In all States except South Dakota land values per acre reached a new high.

The greatest increase in farm land values in the last 4 months was in the Southeastern States. The Delta States, the Lake States, and the Northern Plain States came next. The poorest showing was in the Southern Plains and the Pacific States.





The index of c o n f i d e n c e , which is based on a study made m a n y years ago by General Leonard P. Ayres, divides the y i e l d of the very best bonds by that of second-rate bonds.

The fundamental theory behind this index is that when confidence drops, the investing public will pay a higher p r i c e , in relation to income, for the best type bonds than it will for a second-rate bond. When confidence is very high, however, there is relatively little difference in the prices the public will pay for the highest grade and second grade.

On the basis of this chart it will be noticed that confidence is a p p r o a c h i n g the all-time high. In 1953 and in 1956 the g e n e r a l public was willing to pay better than 88% as much for a second-rate bond as it was for a first-rate b o n d . In January of last year this figure d r o p p e d to 74.5, but it has since advanced to 87.0. If this t r e n d continues, we will probably hit a new all-time high later this year.